

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB STORY**, on January 24, 2001 at 8:00 A.M., in Room 472 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Rep. Bob Story, Chairman (R)  
Rep. Ron Erickson, Vice Chairman (D)  
Rep. Roger Somerville, Vice Chairman (R)  
Rep. Joan Andersen (R)  
Rep. Keith Bales (R)  
Rep. Joe Balyeat (R)  
Rep. Gary Branae (D)  
Rep. Eileen Carney (D)  
Rep. Larry Cyr (D)  
Rep. Rick Dale (R)  
Rep. Ronald Devlin (R)  
Rep. John Esp (R)  
Rep. Gary Forrester (D)  
Rep. Daniel Fuchs (R)  
Rep. Verdell Jackson (R)  
Rep. Jesse Laslovich (D)  
Rep. Trudi Schmidt (D)  
Rep. Butch Waddill (R)  
Rep. Karl Waitschies (R)  
Rep. David Wanzenried (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Jeff Martin, Legislative Branch  
Rhonda Van Meter, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 351, 1/22/2001  
Executive Action: None.

**CHAIRMAN STORY** asked for volunteers to serve on a subcommittee for "the big bill" in front of Local Government.

The Department of Commerce brought some previously requested information for HB 16. **EXHIBIT(tah19a01)**

**HEARING ON HB 351**

**Sponsor:** **REPRESENTATIVE ALAN OLSON, HD 8, Roundup**

**Proponents:** None.

**Opponents:** None.

**Opening Statement by Sponsor:**

***{Tape : 1; Side : A; Approx. Time Counter : 6.3}***

**REP. OLSON** said this bill is designed for a tax exemption for remodeling, restoration, and rebuilding of basically abandoned buildings on main streets in many of Montana's rural communities. A property tax exemption would come into effect during the construction period, which can last up to 12 months. For the five years following the construction period, there would be a tax exemption on any of the increased values. This will not eliminate the tax evaluation that is currently on the building. It will require the approval of local government that may be affected. This primarily covers communities with populations of less than 10,000, a median household income that is less than 85% of the statewide average, and a poverty rate that is at least 15% higher than the statewide average. He submitted written testimony from proponents of the bill. **EXHIBIT(tah19a02), EXHIBIT(tah19a03), EXHIBIT(tah19a04), EXHIBIT(tah19a05)**

**Proponents' Testimony:** None.

**Opponents' Testimony:** None.

**Questions from Committee Members and Responses:**

***{Tape : 1; Side : A; Approx. Time Counter : 10.1}***

**REP. SCHMIDT** asked why the bill is limited to communities under 10,000 people. **REP. OLSON** said they have looked at communities such as Billings. This is a vibrant community and is able to get more things done than the smaller communities. They focused on the smaller communities to minimize the concerns that might arise with a bill such as this.

**REP. BALLYEAT** asked how much tax savings this will provide. **REP. OLSON** said that will depend on the size of the project. The reason there is no fiscal note is because it does not change anything currently in place.

**REP. WAITSCHIES** asked what the purpose is for Section 2 of the bill. **Jeff Martin** said this is to provide an exemption from the tax rate imposed on Class 4 property.

**CHAIRMAN STORY** asked for clarification on the wording in the bill regarding the way the new value is phased in. **REP. OLSON** said the intent was to allow some added flexibility with the approval of the counties and cities to phase this in over an additional period of time. **CHAIRMAN STORY** asked if the intent was for the first year to be taxed at 20% of that new value. **REP. OLSON** said that would be the sixth year, because there is an exemption for five years.

**REP. FUCHS** asked how many buildings there in the sponsor's district that this bill might apply to. **REP. OLSON** said about 2/3 of their business district would be eligible for this. Other small communities are in need of this, not just Roundup. **REP. FUCHS** asked if this bill gives a local community the opportunity to approve this exemption. **REP. OLSON** said this is correct.

**REP. FORRESTER** asked if the cities and towns would be the ones suffering from the revenue loss. **REP. OLSON** said this is correct. Up front there is no revenue loss, but there is loss of potential revenue if the local government grants this. **REP. FORRESTER** asked if the building mentioned in Roundup was remodeled under this, the city of Roundup would not get the extra tax revenue from the tax increase for the first five years. **REP. OLSON** said yes.

**REP. DEVLIN** asked if all of the eligibility requirements had to be met in order to receive this exemption. **REP. OLSON** said that is the way the bill reads. **REP. DEVLIN** asked if the sponsor would be willing to adopt an amendment that expands those requirements, as there are other larger areas, such as Miles City, that could also use this. **REP. OLSON** said he would consider an amendment.

**REP. ESP** asked if school districts would also lose from the lost revenue. **REP. OLSON** said they would, because this eliminates any tax increase. It does not affect any taxes that are already in place.

**REP. BALYEAT** asked for clarification whether all three of the eligibility requirements have to be met or just any one of them. **Jeff Martin** said all three conditions have to be met. **REP. BALYEAT** asked for additional clarification on the abatement portion of the bill. **Jeff Martin** said the intent is that after the five years of the property tax exemption, 20% of the increase in taxable value would be subject to tax. Each year thereafter, the amount of increase in taxable value would be subject to tax. 100% means the whole value is subject to tax. **REP. BALYEAT** said the bill states "the property tax abatement will determine following the schedule" and asked if the percentages should actually be reversed. **CHAIRMAN STORY** said the language is confusing but wondered if the Department of Revenue might not know. **Dolores Cooney, Department of Revenue**, said they understand what this section means.

**REP. ERICKSON** asked whether some small communities are inadvertently left out that have some needs due to the requirement to meet all eligibility criteria and wondered if census data has been analyzed statewide to see who might be left out. **REP. OLSON** said this has not been done statewide, but when they set up the Snowy Mountain Economic Development Corporation, they had to research the counties included to get money from the Federal government. The data fit those six counties. **REP. ERICKSON** asked if there could be some research done and data obtained to compare this statewide. **REP. OLSON** said he would do this. **REP. ERICKSON** said that regarding the abatement section, the second sentence tells you where the percentages have to be applied, and he believes it is clear enough. **Dolores Cooney** said she suggests 15-24-1501 is looked at to clarify how this should be read.

**REP. SOMERVILLE** asked if there is already a system in law allowing commissioners to abate property taxes for new businesses. **Dolores Cooney** said there is an abatement process for remodeling, reconstruction, and expansion of buildings. There is a difference between what is in statute and what the bill proposes. The current statute does not allow for a five-year exemption period. It has a conditional 2.5% increase in value in order to be approved. The current statute is also approved by the governing body, but the difference in the approval process is that currently approval must be received from local government and the school district, and the state levy is not applied and this has to be paid. In this bill, that is also included as an exemption.

**REP. ANDERSEN** asked if there could be further explanation of the state levy 101 mills they would not pay. **Dolores Cooney** said with this bill, none of the levies will be applicable. The

current statute states if the local government and school district approve the exemption, the 101 state mills would still be paid. **REP. ANDERSEN** asked if there would be an objection to put "or" in the eligibility requirements so any one of those would qualify a small town. **REP. OLSON** said he would not have a problem with this, but the drafter has said this may cause a problem. **Jeff Martin** said if "or" is put in instead of "and," that means that any one of the criteria will satisfy the condition for granting the exemption.

**REP. WAITSCHIES** asked if both the current statute and proposed bill exists, how would it be determined which one to use.

**Dolores Cooney** said local government would have the option of which one to approve.

**REP. WANZENRIED** asked if data is available to measure median household income. **REP. OLSON** said in Roundup they gathered that data. **REP. WANZENRIED** asked why this criteria is in the bill at all. **REP. OLSON** said the reason this was put in was to possibly make the bill more palpable to some. **REP. WANZENRIED** asked how this would make it more palpable. **REP. OLSON** said there is sometimes resistance to change, so putting this together as a rural economic development program, he felt it would make this bill more palpable.

**Closing by Sponsor:**

***{Tape : 1; Side : A; Approx. Time Counter : 37.3}***

**REP. OLSON** said he will provide the information requested to the committee and encouraged them to support the bill.

**ADJOURNMENT**

Adjournment: 8:35 A.M.

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REP. BOB STORY, Chairman

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RHONDA VAN METER, Secretary

BS/RV

**EXHIBIT** (tah19aad)